

**NORTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**The North Carolina Medical Care Commission  
809 Ruggles Drive  
Raleigh, North Carolina**

**MINUTES**

**CALLED MEETING OF THE EXECUTIVE COMMITTEE  
CONFERENCE TELEPHONE MEETING ORIGINATING  
FROM THE COMMISSION'S OFFICE**

**May 24, 2012**

**2:00 P.M.**

**Members of the Executive Committee Present:**

Lucy Hancock Bode, Chairman  
Dr. George Binder  
George H.V. Cecil  
Albert F. Lockamy  
Mary L. Piepenbring  
Dr. Carl K. Rust

**Members of the Executive Committee Absent:**

Joseph D. Crocker, Vice-Chairman

**Members of Staff Present:**

Christopher B. Taylor, CPA, Assistant Secretary  
Alice S. Creech, Bond Program Assistant

**Others Present:**

Randall Schultz, Catholic Health East  
Jeffrey Newhams, Bank of America Merrill Lynch

1. **Purpose of Meeting**

To consider preliminary approval to a project for Catholic Health East / St. Joseph of the Pines.

2. **Catholic Health East / St. Joseph of the Pines, Inc. – Southern Pines –**  
Christopher B. Taylor, Randall Shultz and Jeffrey Newhams

**Executive Committee Action:** A motion was made by Mr. George Cecil, seconded by Dr. George Binder and unanimously approved with Mrs. Lucy Bode abstaining from the vote.

**Resolution:** The Commission grants preliminary approval to a project for Catholic Health East/St. Joseph of the Pines, Inc. to provide funds, to be used together with other available funds, to effect a current refunding of the \$41,945,000 North Carolina Medical Care Commission Health System Revenue Bonds Catholic Health Issue Series 1998C outstanding in the amount of \$17,810,000. The refunding is estimated to result in a net present value savings of \$1.5 million which equates to 8.4% savings. Catholic Health East utilizes Hawkins, Delafield and Wood as bond counsel for all the debt issues done for the Catholic Health East System and requests approval to utilize the firm for this proposed refunding bond issue. The project is in accordance with an application received as follows:

**ESTIMATED SOURCES OF FUNDS**

Principal amount of bonds to be issued	\$19,095,000
Original issue discount	(887,374)
<b>Total Sources</b>	<b>\$18,207,626</b>

**ESTIMATED USES OF FUNDS**

Escrow to refund Series 1998C Bonds	17,948,522
Underwriters discount	122,664
Underwriters counsel	15,000
Bond counsel	30,000
Corporation counsel	15,000
Financial advisor	15,000
Rating agencies	35,000
Trustee fee	2,500
Printing costs	2,500
Local Government Commission fee	8,750
Accountants fee	10,000
Miscellaneous	2,690
<b>Total Uses</b>	<b>\$18,207,626</b>

Tentative approval is given with the understanding that the governing board of Catholic Health East / St. Joseph of the Pines, Inc. accepts the following conditions:

1. The project will continue to be developed pursuant to the applicable Medical Care Commission guidelines.
2. Any required certificate of need must be in effect at the time of the issuance of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance of bonds.
4. The project must, in all respects, meet requirements of §G.S. 131A (Health Care Facilities Finance Act).
5. The Executive Committee of the Commission is delegated the authority to approve the issuance of bonds for this project and may approve the issuance of such greater principal amount of the loan as shall be necessary to finance the project; provided, however, that the amount set forth above shall not be increased by more than ten percent (10%).
6. The bonds or notes shall be sold in such a manner and upon such terms and conditions as will, in the sole judgment of the Executive Committee of the Commission, result in the lowest cost to the facility and its patients.
7. If public approval of the bonds is required for the purpose of Section 147(f) of the Internal Revenue Code of 1986, as amended ("Section 147(f)"), this tentative approval shall constitute the recommendation of the Commission that the Governor of the State of North Carolina (the "Governor") approve the issuance of such bonds, subject to the satisfaction of the requirements of Section 147(f) concerning the holding of a public hearing prior to the submission of such recommendation to the Governor.
8. The borrower will comply with the Commission's Resolution: Community Benefits/Charity Care Agreement and Program Description for CCRC's as adopted on November 9, 2007.

Based on information furnished by applicant, the project is -

- |  |                                     |     |                          |    |                                     |     |
|--|-------------------------------------|-----|--------------------------|----|-------------------------------------|-----|
| 1. Financially feasible                          | <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No | <input type="checkbox"/>            | N/A |
| 2. Construction and related costs are reasonable | <input type="checkbox"/>            | Yes | <input type="checkbox"/> | No | <input checked="" type="checkbox"/> | N/A |

**Notes:**

- (1) CHE plans to refund three other debt issues for other members of the CHE Obligated Group in other states at the same time it refunds the 1998C Bonds for St. Joseph of the Pines.**
- (2) CHE is rated A+ by Fitch, A2 by Moody's and A by Standard & Poor's Rating Services.**
- (3) St. Joseph of the Pines Community Benefits percentage under G.S. 105 is 6.53% which qualifies for a 100% property tax exemption.**
- (4) Long Term Debt Service Coverage Ratios for CHE.**

<b>2011</b>	<b>Actual</b>	<b>4.3</b>
<b>2012</b>	<b>Forecasted/Projected</b>	<b>4.6</b>
<b>2013</b>	<b>Forecasted/Projected</b>	<b>5.5</b>
<b>2014</b>	<b>Forecasted/Projected</b>	<b>6.2</b>
<b>2015</b>	<b>Forecasted/Projected</b>	<b>6.6</b>

**Information from CHE 2011 Audit**

<b>Operating Income</b>	<b>\$48,313,000</b>
<b>Increase in unrestricted net assets</b>	<b>\$370,545,000</b>
<b>Increase in net assets</b>	<b>\$397,591,000</b>
<b>Net cash provided by operating activities</b>	<b>\$114,288,000</b>
<b>Increase in cash and cash equivalents</b>	<b>\$324,469,000</b>

**3. Adjournment**

There being no further business, the meeting was adjourned at 11:20 a.m.

Respectfully submitted,

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Christopher B. Taylor, CPA

Assistant Secretary

Date: May 24, 2012